

PORT OF IBERIA DISTRICT

FINANCIAL REPORT

JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Port of Iberia District
New Iberia, Louisiana

We have audited the accompanying basic financial statements of the Port of Iberia District, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Port of Iberia District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Iberia District, as of June 30, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012 on our consideration of the Port of Iberia District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 6 and on page 27, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script, reading "Broussard Locke Lewis : Broussard LL".

Lafayette, Louisiana
December 11, 2012

PORT OF IBERIA DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of the District's annual financial report is designed to focus on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the financial statements that begin on page 9.

FINANCIAL HIGHLIGHTS

Assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$68,029,289 (net assets). Of this amount, 26.3% or \$17,868,756 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fiscal policies.

The District's net assets increased \$4,728,343 resulting from operating income generated and state and local funding received under the Port Priority Program and the Tax Increment Financing (TIF) Program.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements and the notes to the financial statements.

The District's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and changes in net assets. All assets and liabilities associated with the operations of the District are included in the statements of net assets.

The financial statements provide both long and short-term information about the District's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS

Net Assets

The District's total assets at June 30, 2012 reached \$70,988,353. This represents an increase of \$4,717,047 or 7.12% over the prior year. Total liabilities amounted to \$2,951,220 for a decrease of \$19,140 or .64% and total net assets were \$68,037,133 for an increase of \$4,736,187 or 7.48% (See Table 1).

Table 1
Port of Iberia District
Net Assets
June 30, 2012 and 2011

	2012	2011	Percentage Change
Assets:			
Current assets	\$ 20,827,820	\$ 18,583,061	12.08
Property (net)	47,487,115	47,526,783	(0.08)
Other assets	<u>2,673,418</u>	<u>161,462</u>	1,555.76
Total assets	<u>\$ 70,988,353</u>	<u>\$ 66,271,306</u>	7.12
Current liabilities	<u>\$ 2,951,220</u>	<u>\$ 2,970,360</u>	(0.64)
Net assets:			
Invested in capital assets, net of related debt	\$ 47,487,115	\$ 47,526,783	(0.08)
Restricted	2,673,418	161,462	1,555.76
Unrestricted	<u>17,876,600</u>	<u>15,612,701</u>	14.50
Total net assets	<u>\$ 68,037,133</u>	<u>\$ 63,300,946</u>	7.48

Property (net) remained approximately the same as the previous year with additions related to ongoing construction projects completely offset by depreciation expense in the current year of \$1,575,453. Other assets of the port increased \$2,511,956 primarily as a result of receiving funds under the Tax Increment Financing (TIF) Program which were not expended and considered to be restricted within the District's financial statements.

The item "invested in capital assets, net of related debt," consists of capital assets net of accumulated depreciation reduced by the amount of outstanding indebtedness (offset by the debt related to unspent bond proceeds) attributable to the acquisition, construction, or improvement of those assets.

Changes in Net Assets

The change in net assets at June 30, 2012 was an increase of \$4,736,187 or 7.48%. The District's total operating revenues increased by \$31,941 or .89%. Total operating expenses decreased by \$76,157 or 3.15%. The decline in operating expenses was related to an overall decrease in various expenses including depreciation, insurance and repairs. Capital contributions increased \$2,714,043 over the prior year. This was attributable to reimbursements for capital expenditures under the state Port Priority Program and the Tax Increment Financing (TIF) Program. The changes in net assets are detailed in Table 2.

Table 2
Port of Iberia District
Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012	2011	Percentage Change
Operating revenues:			
Docks	\$ 31,184	\$ 28,965	7.66
Leases	3,553,181	3,499,373	1.54
Operating grants	-	22,583	(100.00)
Other	27,782	29,285	(5.13)
Total operating revenues	<u>\$ 3,612,147</u>	<u>\$ 3,580,206</u>	0.89
Operating expenses:			
Operating expenses	\$ 764,773	\$ 821,726	(6.93)
Depreciation	1,575,453	1,594,657	(1.20)
Total operating expenses	<u>\$ 2,340,226</u>	<u>\$ 2,416,383</u>	(3.15)
Operating income	\$ 1,271,921	\$ 1,163,823	9.29
Other revenue, net	(225,873)	283,426	(179.69)
Capital contributions	<u>3,690,139</u>	<u>976,096</u>	278.05
Change in net assets	\$ 4,736,187	\$ 2,423,345	95.44
Total net assets, beginning of year	<u>63,300,946</u>	<u>60,877,601</u>	3.98
Total net assets, end of year	<u><u>\$ 68,037,133</u></u>	<u><u>\$ 63,300,946</u></u>	7.48

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, the District had invested \$47,487,115 in capital assets net of accumulated depreciation and related debt. As compared to the prior year, this amount represents a decrease of \$39,668. The change is the result of depreciation expense recognized in the current year partially offset by new capital acquisitions.

Additional information on the District's capital assets can be found in Note 3 on pages 19 through 21 of this report.

Debt Administration

In addition, the District has a \$250,000 payable recorded on the balance sheet as of June 30, 2012 to the Louisiana State Bond Commission. This amount was to be reimbursed to the Louisiana State Bond Commission. However, during the 1993 regular session of the Louisiana Legislature, HCR267 was adopted to grant \$250,000 to the Port of Iberia District. In lieu of payment to the Port of Iberia District, the State Bond Commission was to cancel the \$250,000 payable to the State of Louisiana, as per written correspondence from Governor Edwin W. Edwards and an act of the 1993 Louisiana Legislature. The Attorney General's Office has indicated that the way this was handled was unconstitutional. This problem has not been resolved as of the date of these financial statements.

Additional information on the Port of Iberia District's debt can be found in Note 4 on page 21 of this report.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Port of Iberia District, Post Office Box 9986, New Iberia, Louisiana 70562.

BASIC FINANCIAL STATEMENTS

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PORT OF IBERIA DISTRICT

STATEMENTS OF NET ASSETS

June 30, 2012 and 2011

ASSETS	2012	2011
CURRENT ASSETS		
Cash and cash equivalent	\$ 6,660,800	\$ 4,230,131
Investments	13,218,366	13,150,066
Accounts receivable	332,309	352,019
Due from other governmental agencies	462,964	707,175
Prepaid expenses	142,739	124,140
Interest receivable	10,642	19,530
Total current assets	<u>\$ 20,827,820</u>	<u>\$ 18,583,061</u>
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$20,271,707 and \$18,696,254 at June 30, 2012 and 2011, respectively	<u>\$ 47,487,115</u>	<u>\$ 47,526,783</u>
OTHER ASSETS		
Restricted cash	<u>\$ 2,673,418</u>	<u>\$ 161,462</u>
Total assets	<u><u>\$ 70,988,353</u></u>	<u><u>\$ 66,271,306</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,497	\$ 5,045
Construction project payables	391,373	513,040
Deferred income	2,102,344	2,005,184
Accrued expenses	48,984	47,245
Due to other governments	269,045	269,045
Deposits payable	131,977	130,801
Total current liabilities	<u>\$ 2,951,220</u>	<u>\$ 2,970,360</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 47,487,115	\$ 47,526,783
Restricted	2,673,418	161,462
Unrestricted	17,876,600	15,612,701
Total net assets	<u>\$ 68,037,133</u>	<u>\$ 63,300,946</u>
Total liabilities and net assets	<u><u>\$ 70,988,353</u></u>	<u><u>\$ 66,271,306</u></u>

See Notes to Financial Statements.

PORT OF IBERIA DISTRICT
 STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS
 For the Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Leases	\$ 3,553,181	\$ 3,499,373
Federal grants	-	22,583
Contract tonnage	-	367
Tonnage and docking fees	7,467	5,895
Boat stall rentals	23,717	23,070
Sewerage district maintenance fees	11,375	12,189
Water franchise fee	16,407	16,729
Total operating revenues	<u>\$ 3,612,147</u>	<u>\$ 3,580,206</u>
OPERATING EXPENSES		
Accounting and auditing	\$ 26,570	\$ 25,120
Advertising	44,076	36,934
Auto allowances	21,358	19,895
Depreciation and amortization	1,575,453	1,594,657
Dock subcontractors	19,200	19,000
Dues and subscriptions	15,365	14,891
Employee benefits	33,784	35,452
AGMAC project costs	9,793	-
IDF cooperative endeavor agreement	15,000	10,000
Insurance	196,986	220,479
Legal fees	34,407	36,370
Miscellaneous	1,066	795
Office expense	23,532	22,119
Outside services	11,425	3,501
Port improvements and development	2,606	8,819
Repairs and maintenance	67,617	107,746
Salaries:		
Director	113,254	112,008
Other	64,952	68,279
Taxes - payroll	2,763	2,738
Travel	25,831	41,238
Telephone	14,430	13,806
Utilities	20,758	22,536
Total operating expenses	<u>\$ 2,340,226</u>	<u>\$ 2,416,383</u>
Operating income	<u>\$ 1,271,921</u>	<u>\$ 1,163,823</u>

(continued)

PORT OF IBERIA DISTRICT

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

	2012	2011
Operating income (carried forward)	\$ 1,271,921	\$ 1,163,823
OTHER REVENUE (EXPENSE)		
Interest income	\$ 80,562	\$ 130,710
Interest expense	-	(71)
Intergovernmental transfer	(265,511)	-
Legal settlement	(50,000)	-
Miscellaneous income	9,076	152,787
Total other revenue	\$ (225,873)	\$ 283,426
Income before capital contributions	\$ 1,046,048	\$ 1,447,249
Capital contributions	3,690,139	976,096
Change in net assets	\$ 4,736,187	\$ 2,423,345
Net assets, beginning of year	63,300,946	60,877,601
Net assets, end of year	\$ 68,037,133	\$ 63,300,946

See Notes to Financial Statements.

PORT OF IBERIA DISTRICT

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 3,701,235	\$ 3,507,637
Receipts from other governmental units	11,375	34,772
Other operating receipts	16,407	16,729
Payments to suppliers	(600,975)	(763,639)
Payments to employees	(178,206)	(180,287)
Net cash provided by operating activities	<u>\$ 2,949,836</u>	<u>\$ 2,615,212</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (decrease) in customer deposits	\$ 1,176	\$ 13,333
(Increase) decrease in restricted cash	(2,511,956)	(12,842)
Net cash provided by (used in) noncapital financing activities	<u>\$ (2,510,780)</u>	<u>\$ 491</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES		
Capital contributions	\$ 3,934,350	\$ 1,704,762
Capital asset acquisitions	(1,657,452)	(2,520,604)
Net cash provided by (used in) capital related financing activities	<u>\$ 2,276,898</u>	<u>\$ (815,842)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	\$ (67,664)	\$ (2,621,771)
Other non operating income (expense)	(216,984)	297,362
Net increase in LAMP	(637)	(917)
Net cash used in investing activities	<u>\$ (285,285)</u>	<u>\$ (2,325,326)</u>
Net increase (decrease) in cash and cash equivalents	\$ 2,430,669	\$ (525,465)
Cash and cash equivalents, beginning of year	<u>4,230,131</u>	<u>4,755,596</u>
Cash and cash equivalents, end of year	<u>\$ 6,660,800</u>	<u>\$ 4,230,131</u>

(continued)

PORT OF IBERIA DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

	2012	2011
RECONCILIATION OF INCOME FROM OPERATING TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 1,271,921	\$ 1,163,823
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,575,453	1,594,657
Change in assets and liabilities -		
(Increase) decrease in assets:		
Accounts receivables	19,710	(9,710)
Prepaid expenses and other assets	(18,599)	25,431
(Decrease) increase in liabilities:		
Accounts payable	2,452	(24,841)
Deferred income	97,160	(11,357)
Accrued expenses	1,739	(122,791)
Net cash provided by operating activities	<u>\$ 2,949,836</u>	<u>\$ 2,615,212</u>

See Notes to Financial Statements.

PORT OF IBERIA DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of Port of Iberia District (the "District") are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the District's accounting policies are described below.

Reporting entity:

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Primary government -

Port of Iberia District - The District is a political subdivision of the State of Louisiana created under the provisions of Louisiana Revised Statute 34:241. The District is governed by a board of commissioners consisting of seven members who serve without compensation. Two of the members are appointed by the City of New Iberia, one member each by the Towns of Jeanerette and Loreauville, and three members are appointed by the Iberia Parish Council. The Board is responsible for the regulation of commerce and traffic within the District.

Operations of the District are administered through an executive director who also serves as the port director. The operations of the District are financed primarily through lease payments from port improvements as well as various operating grants from state and federal agencies. The District's offices and operations are located in an area that is five miles south of the City of New Iberia and encompasses more than 2,000 acres of land, both public and private, and is the base of operations for more than 90 companies. There are 10 miles of access roadways, three miles of railroad frontage, steel bulkheading, sewerage system, electrical service, natural gas, 11-1/2 miles of water frontage, 14 miles of water system that provides access to the Intracoastal Waterway and Gulf of Mexico, and a developed water channel, public dock, and marina.

Component units -

Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the primary government's governing authority appoints a majority of board members of the potential component unit.

NOTES TO FINANCIAL STATEMENTS

3. Fiscal interdependency between the primary government and the potential component unit.
4. Imposition of will by the primary government on the potential component unit.
5. Financial benefit/burden relationship between the primary government and the potential component unit.

There are no entities that meet the criteria for inclusion as a component unit of the District.

Basis of presentation, accounting and measurement:

The accounting policies of the District are in conformity with accounting principles generally accepted in the United States of America as it applies to governmental entities. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of when paid. Grants and similar items are recognized as revenues as soon as all earning requirements have been met.

The District's accounting records are accounted for in a single proprietary fund. The District's operations are financed and operated similar to a private business enterprise. Under a proprietary fund, costs of providing services are recovered through charges for those services to customers. Operating revenues and expenses are exclusive of nonoperating items. Operating revenues result from leasing property and providing services. Operating expenses are the result of costs associated with providing services and depreciation of capital assets used in providing those services. Revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

When both restricted and unrestricted net assets are available for use, restricted resources are first used with unrestricted resources consumed as they are needed.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. The District does not apply private-sector guidance for proprietary activities, unless they are adopted by GASB.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary accounting:

Annually, the District adopts a cash basis budget for its operations. A comparison of revenues and expenses to budget is not included in the accompanying financial statements since it is not required by generally accepted accounting principles.

Cash and cash equivalents:

Cash includes amounts in deposits held at financial institutions and cash on hand. For purposes of statements of cash flows, highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

Investments:

Investments include certificates of deposit and amounts invested in the Louisiana Asset Management Pool (LAMP). State statutes authorize the District to invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. LAMP is a local government investment pool initiated by the Louisiana Treasurer's office and invests its assets only in securities and other obligations that are permissible under Louisiana State law for local governments. In accordance with generally accepted accounting principles, investments meeting the criteria specified in the Statement are stated at fair value. Investments which do not meet the requirements are stated at cost.

Prepaid items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Receivables:

All receivables are shown net of an allowance account, as applicable. As of June 30, 2012 and 2011, management deemed all receivables to be collectible. As such, no allowance was recognized in either year.

Property, plant, and equipment:

All capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an operating expense in the statements of revenues, expenses and changes in net assets, with accumulated depreciation reflected in the statements of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Furniture and fixtures	5 – 10
Steel bulkheading	30 – 40
Buildings and improvements	10 – 40

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Deferred income:

Operating revenues include rental charges to customers derived from leasing property owned by the District. Rentals due from certain lease agreements are billed in advance. Recognition of the related revenue on the advanced billing are deferred and recognized over the lease term.

Compensated absences:

The District's formal policy on vacation and sick leave provides that permanent employees of the District accrue from 12 to 21 days of vacation and sick leave per year depending on the length of service. A maximum of 45 days of vacation leave and 180 days of sick leave may be accumulated. The policy provides for the payment of accumulated vacation leave not to exceed 45 working days upon retirement or voluntary separation of

NOTES TO FINANCIAL STATEMENTS

employment. The policy does not provide for the payment of accumulated sick leave. After 40 hours worked per week, compensatory time is earned at 1.5 hours for each hour worked.

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. As of June 30, 2012 and 2011, total accrued vacation leave amounted to \$ 11,464 and \$13,850, respectively. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Other postretirement employee benefit plan:

The District has elected to calculate information of an actuarial nature using the alternative measurement method permitted by GASB Statement 45 for plans with fewer than 100 employees.

The District pays the benefits as due and does not provide separate funding for the estimated liability calculated and accrued under this plan.

Capitalization of interest cost:

Interest cost on assets intended for lease that are constructed as discrete projects are capitalized when the following conditions are present: expenditures for the asset have been made, activities that are necessary to get the asset ready for its intended use are in progress and interest cost is being incurred.

Recent pronouncements:

In December 2010 the Governmental Accounting Standards Board issued Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The District does not anticipate the adoption of this statement to have any effect on the financial statements.

Note 2. Deposits and Investments

At June 30, 2012, the carrying amount of the District's deposits, including demand deposit accounts and certificates of deposit, was \$22,039,652 and the bank balance was \$22,176,333. Of the bank balance, \$750,000 was secured from risk by federal deposit insurance and remainder by pledged securities held by the custodial banks in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTES TO FINANCIAL STATEMENTS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy to ensure there is no exposure to this risk is to require each financial institution to pledge their own securities to cover any amount in excess of Federal Depository Insurance Coverage. These securities must be pledged in the District's name.

As a means of limiting its exposure to fair value losses arising from rising interest rates, it is the District's policy that generally the District only invest in "certificate of deposit" and "money market instruments," which are defined as very creditworthy, highly liquid investments with maturities of one year or less.

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy limits investments to fully insured and/or fully collateralized certificates of deposits and investment in the Louisiana Asset Management Pool (LAMP).

The LAMP is an investment pool established as a cooperative endeavor to enable public entities of the State of Louisiana to aggregate funds for investment; the LAMP is not registered with the Securities and Exchange Commission (SEC) as an investment company. The LAMP is operated by a non-profit corporation, Louisiana Asset Management Pool, Inc., whose officers include the President, normally the Treasurer of the State of Louisiana, and a Secretary/Treasurer who is charged with the day-to-day operations of the program. LAMP, Inc. is governed by a Board of Directors consisting of nine to fourteen members elected each year by the participating entities.

The LAMP is intended to improve administrative efficiency and increase investment yield of participating public entities. The LAMP's portfolio securities are valued at market value even though the amortized cost method is permitted by Rule 2a-7 of the Investment Company Act of 1940, as amended, which governs registered money market funds, although the LAMP is not a money market fund and has no obligation to conform to this rule. The investment objectives of the LAMP are to preserve capital and protect principal, maintain sufficient liquidity, provide safety of funds and investments, and maximize the return on the pool. The LAMP seeks to maintain a stable net asset value of \$1.00 per unit, but there can be no assurance that the LAMP will be able to achieve this objective.

The dollar weighted average portfolio maturity of the LAMP assets is restricted to no more than 90 days and consists of no securities with a maturity in excess of 397 days. The LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Investments in the LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by the LAMP and the fair value of the position of the pool is the same as the value of the pool shares. The total amount invested in LAMP at June 30, 2012 and 2011 was \$512,932 and \$512,297, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 3. Property, Plant, and Equipment

A summary of activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 9,976,775	\$ -	\$ -	\$ 9,976,775
Construction in progress	<u>3,406,659</u>	<u>1,914,751</u>	<u>3,406,659</u>	<u>1,914,751</u>
	<u>\$ 13,383,434</u>	<u>\$ 1,914,751</u>	<u>\$ 3,406,659</u>	<u>\$ 11,891,526</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 32,252,292	\$ 2,537,397	\$ -	\$ 34,789,689
Equipment and fixtures	358,238	6,431	-	364,669
Docks and bulkheading	11,208,085	-	-	11,208,085
Utility improvements	1,578,318	483,865	-	2,062,183
Channel improvements	7,385,523	-	-	7,385,523
Signage	<u>57,147</u>	<u>-</u>	<u>-</u>	<u>57,147</u>
Total capital assets being depreciated	<u>\$ 52,839,603</u>	<u>\$ 3,027,693</u>	<u>\$ -</u>	<u>\$ 55,867,296</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 8,972,502	\$ 923,619	\$ -	\$ 9,896,121
Equipment and fixtures	275,280	20,684	-	295,964
Docks and bulkheading	5,095,771	325,036	-	5,420,807
Utility improvements	1,091,080	54,532	-	1,145,612
Channel improvements	3,213,672	247,773	-	3,461,445
Signage	<u>47,949</u>	<u>3,809</u>	<u>-</u>	<u>51,758</u>
Total accumulated depreciation	<u>\$ 18,696,254</u>	<u>\$ 1,575,453</u>	<u>\$ -</u>	<u>\$ 20,271,707</u>

(continued)

NOTES TO FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance
Total capital assets being depreciated, net	\$ 34,143,349	\$ 1,452,240	\$ -	\$ 35,595,589
Total capital assets, net	\$ 47,526,783	\$ 3,366,991	\$ 3,406,659	\$ 47,487,115

A summary of activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 8,976,775	\$ 1,000,000	\$ -	\$ 9,976,775
Construction in progress	1,519,349	1,887,310	-	3,406,659
	<u>\$ 10,496,124</u>	<u>\$ 2,887,310</u>	<u>\$ -</u>	<u>\$ 13,383,434</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 32,252,292	\$ -	\$ -	\$ 32,252,292
Equipment and fixtures	358,238	-	-	358,238
Docks and bulkheading	11,208,085	-	-	11,208,085
Utility improvements	1,578,318	-	-	1,578,318
Channel improvements	7,385,523	-	-	7,385,523
Signage	57,147	-	-	57,147
Total capital assets being depreciated	<u>\$ 52,839,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,839,603</u>

(continued)

NOTES TO FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings and improvements	\$ 8,027,889	\$ 944,613	\$ -	\$ 8,972,502
Equipment and fixtures	254,464	20,816	-	275,280
Docks and bulkheading	4,770,735	325,036	-	5,095,771
Utility improvements	1,038,470	52,610	-	1,091,080
Channel improvements	2,965,899	247,773	-	3,213,672
Signage	44,140	3,809	-	47,949
Total accumulated depreciation	<u>\$ 17,101,597</u>	<u>\$ 1,594,657</u>	<u>\$ -</u>	<u>\$ 18,696,254</u>
Total capital assets being depreciated, net	<u>\$ 35,738,006</u>	<u>\$ (1,594,657)</u>	<u>\$ -</u>	<u>\$ 34,143,349</u>
Total capital assets, net	<u>\$ 46,234,130</u>	<u>\$ 1,292,653</u>	<u>\$ -</u>	<u>\$ 47,526,783</u>

Substantially, all land, buildings, docks, and bulkheadings are leased to District tenants.

Note 4. Due to Other Governments

The District has a \$250,000 non-interest bearing payable recorded in the statements of net assets as a due to other governmental agencies. This payable is due to the Louisiana State Bond Commission. The amount due was to be reimbursed to the Louisiana State Bond Commission over a five year period at \$50,000 annually without any interest. The installments due March 1990, 1991, 1992, 1993, and 1994 were deferred by the state. During the 1993 regular session of the Louisiana Legislature, HCR267 was adopted to grant the \$250,000 to the District. In lieu of payment to the District, the State Bond Commission was to cancel the \$250,000 payable to the State of Louisiana, as per written correspondence from the Governor and an act of the 1993 Louisiana Legislature. The Attorney General's Office has indicated that the way the transaction was handled is in violation of the State Constitution. This problem has not been resolved as of the date of the financial statements and the transaction remains a liability.

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan

Plan description:

All employees of the District are members of the Parochial Employees Retirement System of Louisiana (System), cost-sharing, multiple employer defined benefit pension plans administered by a separate board of trustees. The System is composed of two district plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the District are members of Plan A.

All permanent employees working at least 28 hours per week are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only before January 1, 1980, the benefit is equal to 1% of final average salary plus \$24 for each year of supplemental plan only service earned before January 1, 1980. Final-average salary is the employee's average salary over the 35 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

Funding policy:

Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System under Plan A for the years ending June 30, 2012, 2011, and 2010 were \$28,443, \$28,395, and \$24,499, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Note 6. Lease of Land by District

The District is presently leasing approximately 140 acres of land from the City of New Iberia for a period of 99 years at a cost of \$1 per year. The effective dates of the lease are from July 28, 1948 to July 27, 2047.

Note 7. Lease of Land and Facilities to Others

A significant portion of revenue generated by the District is attributable to District owned property leased to tenants at the District. Minimum future rentals on these noncancelable operating leases for the next five years and thereafter are as follows:

2013	\$ 3,594,796
2014	3,309,775
2015	2,776,523
2016	1,973,658
2017	422,764
2018-2021	<u>236,877</u>
	<u>\$ 12,314,393</u>

Note 8. Board of Commissioners Compensation

The Board of Commissioners of the District serve without compensation.

Note 9. Risk Management

The District is subject to certain exposures to losses in the ordinary course of business operations. To address those exposures, the District utilizes commercial risks insurance.

Note 10. Federal, State and Local Assistance

The District received funds from the Louisiana Department of Transportation and Development under the state's Port Priority Program in order to assist in paying for certain capital expenditures associated with various construction projects whereby the improvements are intended to be leased to tenants of the port.

In addition the port received funds from the Louisiana Department of Transportation and Development in order to assist them in paying certain expenditures associated with the establishment of a deep water access channel to the Gulf of Mexico (AGMAC construction project). These funds were used to cover costs associated with the bulkhead and utility relocation phases of the project.

The District also received funds from the Iberia Parish Government through the Tax Increment Financing (TIF) Program in order to assist in the "Millennium Project", which will develop 108 acres of additional waterfront acreage within the District. The funds will help the District construct, administer and operate the Millennium Project.

The District also received funds for the year ending June 30, 2011 from FEMA for specific hurricane recovery expenses paid in previous years.

NOTES TO FINANCIAL STATEMENTS

The following is a recap of federal, state and local assistance recognized by the District for the years ending June 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Federal:		
U.S. Department of Homeland Security (FEMA Public Assistance)	<u>\$ -</u>	<u>\$ 22,583</u>
State:		
Louisiana Department of Transportation and Development (AGMAC Project and Port Priority Funding)	<u>\$ 1,190,139</u>	<u>\$ 976,096</u>
Local:		
Iberia Parish Government (Tax Increment Financing (TIF) Program)	<u>\$ 2,500,000</u>	<u>\$ -</u>

Note 11. Intergovernmental Agreements

In August 2000, the District entered into an intergovernmental agreement with Sewerage District #1 in order to provide the necessary labor, materials, chemicals, and expertise to operate and maintain the sewer system located within the boundaries of the District. As part of this agreement, the District collects an additional fee in the amount of 10% of the regular monthly charges. This amount is restricted to recoup the costs of constructing the system and is placed in an escrow account to offset repairs, replacement and upgrade of the system. As of June 30, 2012 and 2011, total cash restricted for this purpose amounted to \$173,418 and \$161,462, respectively.

In September 2010, the District entered into an intergovernmental agreement with Iberia Parish for road improvements to various roads throughout the Parish, including some roads located within the District. As part of the agreement, the District agreed to share in the cost of improving certain roads within the District with the share not to exceed \$265,511 provided the Parish provides a matching share. The project was completed as of June 30, 2012 and the District's shared cost totaled \$265,511. This intergovernmental transfer is reflected as a non operating expense in the financial statements for 2012.

Note 12. Postemployment Benefits Other Than Pensions

Plan Description - During 2009, the District renewed the employment contract with the Executive Director. This contract stipulates that the employee will be eligible for and shall participate in a formal Health and Hospitalization Insurance Program. The District will be responsible for payment of 100% of the health insurance premiums of the employee until the date the employee becomes covered by the Federal Medicare Program. After that date, the District shall be responsible for 100% of the premiums for a supplemental health insurance policy, not to exceed 50% of the total costs of the Health and Hospitalization Program of the employee.

Funding Policy - The District recognizes estimated costs based on actuarial calculations. Actual cash disbursements are made as required to cover premium costs during the period.

Annual OPEB Cost and Net OPEB Obligation - The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of

NOTES TO FINANCIAL STATEMENTS

the District's annual OPEB cost, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for the years ending June 30, 2012 and 2011.

	2012	2011
Annual required contribution	\$ 8,527	\$ 7,095
Interest on net OPEB obligation	171	390
Amortization of unfunded actuarial liabilities	5,711	6,834
Annual OPEB cost (expense)	\$ 14,409	\$ 14,319
Contributions made	(9,068)	(7,850)
Increase in net OPEB obligation	\$ 5,341	\$ 6,469
Net OPEB obligation - beginning of year	17,445	10,976
Net OPEB obligation - end of year	<u>\$ 22,786</u>	<u>\$ 17,445</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 12,420	59.1%	\$ 10,976
6/30/2011	\$ 14,319	54.8%	\$ 17,445
6/30/2012	\$ 13,185	62.9%	\$ 22,786

Funded Status and Funding Progress - As of June 30, 2012, the actuarial accrued liability for benefits was \$127,905, all of which was unfunded. The covered payroll (annual payroll of employees covered by the plan) was \$113,254 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 112.94%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTES TO FINANCIAL STATEMENTS

The following simplifying assumptions were made:

Retirement age for active employees—Based on the anticipated retirement age of the covered employee. This was assumed to be age 68 which will be the age of the employee upon expiration of the current employment contract.

Marital status—Not applicable.

Mortality—Life expectancy was based on life expectancy tables used by the Internal Revenue Service (Single Life Expectancy).

Turnover—Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate—The expected rate of increase in healthcare insurance premiums was based on input from the District's health insurance agent as well as historical experience. A rate of 10.0% annually was used.

Health insurance premiums—2012 health insurance premiums were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate—An expected long-term inflation rate assumption of 3.3% was assumed.

Payroll growth rate—The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Amortization of unfunded actuarial accrued liability—The unfunded actuarial accrued liability is being amortized using the level dollar method over 22.84 years.

Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 2.0% was used. In addition, a simplified version of the unit credit cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at June 30, 2012 was 18.84 years.

PORT OF IBERIA DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(Required Supplementary Information)
For the Years Ended June 30, 2012 and 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit Costs (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2010	\$ -	\$ 75,405	\$ 75,405	0%	\$ 108,458	69.52%
6/30/2011	\$ -	\$ 99,330	\$ 99,330	0%	\$ 112,008	88.68%
6/30/2012	\$ -	\$ 127,905	\$ 127,905	0%	\$ 113,254	112.94%

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George J. Trappey, III, CPA 2007
Terrel P. Dressel, CPA 2007
Herbert Lemoine II, CPA 2008
Mary T. Miller, CPA 2011

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners
Port of Iberia District
New Iberia, Louisiana

We have audited the basic financial statements of Port of Iberia District, as of and for the year ended June 30, 2012 and have issued our report thereon dated December 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Port of Iberia District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Port of Iberia District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port of Iberia District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port of Iberia District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port of Iberia District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the entity, the Louisiana Legislative Auditor's office, and certain federal and state awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script, reading "Bernard Locke Luni : Bernard LLP".

Lafayette, Louisiana
December 11, 2012

PORT OF IBERIA DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

We have audited the basic financial statements of Port of Iberia District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2012 resulted in an unqualified opinion.

Section I. - Summary of Auditors' Reports

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material weaknesses ☐ Yes ☒ No

Control deficiencies
identified that are not
considered to be material
weakness(es) ☐ Yes ☒ No

Compliance

Non compliance material to financial statements ☐ Yes ☒ No

Section II – Financial Statement Findings

No matters are reported.

PORT OF IBERIA DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year June 30, 2012

Section I. Internal Control and Compliance Material to the Financial Statements

None noted.

Section II. Internal Control and Compliance Material to Federal Awards

None noted.

Section III Management Letter

The prior year's report did not include a management letter.